



Control Number: 52373




Item Number: 249

Public Utility Commission of Texas

Commissioner Memorandum

2021 NOV 17 PM 12:17

TO: Chairman Peter M. Lake
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

FROM: Commissioner Will McAdams 

DATE: November 17, 2021

RE: Project No. 52373, Item No.21 – *Review of Wholesale Electric Market Design*

Consistent with our market design discussion on November 4, 2021, I would offer the following recommendations to be discussed at the November 19, 2021 work session:

- **ERCOT Contingency Reserve Service** – ECRS will give our market an important tool to respond to forthcoming challenges arising from our evolving resource mix. As it will often be addressing a two-hour problem, ECRS needs to be made available to all resources that can dispatch energy for at least two hours. While I look forward to input from ERCOT and stakeholders, I would think that the service should be started with at least 2GW of procurement and be evaluated by ERCOT from there.

Consistent with recently passed legislation, I believe that the cost allocation and procurement for ECRS need to be studied by ERCOT to determine what factors are causing the need for the service. PURA § 35.004 states, “the commission shall require [ERCOT] to modify the design, procurement, and cost allocation of ancillary services for the region in a manner consistent with cost-causation principles and on a nondiscriminatory basis.” ECRS is an excellent opportunity to explore these cost-causation principles and I believe ERCOT, stakeholders, and this commission can develop a metric for what causes these ramps and how to assign the costs of this ancillary service accordingly.

- **Emergency Response Service** - We recently granted ERCOT a good cause exception to allow it to dispatch ERS resources before Energy Emergency Alerts are declared. At the November 4, 2021 work session, we directed ERCOT to procure an additional \$5 million in ERS resources for the upcoming winter.

The commission should take advantage of this additional winter procurement as a test bed to see how much more ERS will cost when procurement has been moved out of EEA declaration levels. I would direct ERCOT to come back to us after the new winter procurement process with a recommendation on how to adjust their budget for ERS going forward.

Additionally, when ERCOT returns with that information, we would need to open a rulemaking to make the necessary changes to 16 TAC § 25.507, consistent with our

249

decisions. Ultimately, I believe the ERS should be deployed at 250MW of reserves after the minimum contingency level is reached. This buffer would allow price responsive behavior to occur while retaining a safety buffer before an EEA declaration is needed.

- **Winter Firm Fuel Ancillary Service** - Given the events of the past year, the commission should improve financial compensation for generation plants with firm fuel sources in winter months. PURA § 39.159(b)(2) requires the commission to ensure that the winter resource service includes “on-site fuel storage, dual fuel capability, or fuel supply arrangements to ensure winter performance for several days.” To clarify, I believe the “fuel supply arrangements” should be limited to plants with firm transport contracts to an existing storage facility. Similar to ECRS, the service should be initiated with 2GW of procurement and be evaluated by ERCOT thereafter.

I look forward to discussing this matter with you at the next work session.